

Message Text

SECRET

PAGE 01 PEKING 00324 190434Z
ACTION NODS-00

INFO OCT-01 ISO-00 /001 W
-----190437 107860 /70
P 180600Z FEB 77
FM USLO PEKING
TO SECSTATE WASHDC PRIORITY 7262

S E C R E T PEKING 324

NODIS

C O R R E C T E D C O P Y (TEXT PARA 3 LINE 9)

FOR GLEYSTEEEN

E.O.11652: XGDS-1,3
TAGS: PFOR, CH, US
SUBJECT: CLAIMS/ASSETS ISSUE

REF: STATE 34986

1. IN VIEW OF RECENT US-CHINESE EXCHANGES ON THE CLAIMS/
ASSETS ISSUE AND THE SECRETARY'S FEBRUARY 11 INTERVIEW WITH
THE NEW YORK TIMES IT SEEMS TO ME THAT THERE SHOULD BE SOME
KIND OF USG FOLLOW-UP WITH THE CHINESE -- AT LEAST SOME
"DELICATE PROBING".

2. WE ARE PREPARED TO UNDERTAKE SUCH PROBING HERE AFTER DEPT
COMPLETES REVIEW OF USG POSITION.
ONE REASON FOR COMPLETING THIS REVIEW FIRST IS, OBVIOUSLY, THAT
US PROBE COULD MEET IMMEDIATELY WITH A CHINESE COUNTER-QUESTION AS
TO WHETHER WE ARE PREPARED TO CONSIDER MODIFYING THE TERMS WE
PROPOSED IN OCTOBER 1975, AND THE PROBER SHOULD BE IN A POSITION
TO ANSWER PROMPTLY. IF WE ARE NOT PREPARED TO REDUCE OUR PREVIOUS
MINIMUM REQUIREMENTS, IT IS BETTER THAT THE CHINESE, WITH THEIR
OWN PROPENSITY FOR TAKE-IT-OR-LEAVE-IT NEGOTIATING TACTICS,
SECRET

SECRET

PAGE 02 PEKING 00324 190434Z

KNOW THIS FROM THE OUTSET.

3. WHAT ARE THE PROSPECTS FOR CHINESE FLEXIBILITY? NO
RECENT CHINESE STATEMENT KNOW TO ME NECESSARILY POINTS TO
A CHANGE, NOT EVEN A REMARK TO ME BY THE FOREIGN TRADE
MINISTER ON FEBRUARY 7 THAT A SETTLEMENT COULD BE REACHED
EASILY EVEN BEFORE I LEFT PEKING. HOWEVER, EVEN IF THE

CHINESE HAD NOT MEANT TO SIGNAL ANY CHANGE WHEN TALKING WITH ROCKEFELLER, THEY MUST BE IMPRESSED BY TTQ HIGH-LEVEL AND PUBLIC USG REACTION. AS ONE CHINESE RECENTLY OBSERVED, CLAIMS/ASSETS "IS NOT A BIG MATTER." THEY HAVE EARLIER TREATED THEIR AGREEMENT IN PRINCIPLE TO SETTLE AS A POLITICAL DECISION, BUT THE PRESENT LEADERSHIP WOULD PERHAPS GIVE GREATER POLICY WEIGHT TO THE ECONOMIC BENEFITS TO CHINA -- ESPECIALLY IN THAT A CLAIMS/ASSETS SETTLEMENT IS PROBABLY A NECESSARY STEP TO GAINING MFN STATUS. WE CANNOT RULE OUT THE POSSIBILITY THAT WITH THE FALL OF THE "GANG OF FOUR" THERE HAS BEEN A REAL TRANSFORMATION IN THE CHINESE ATTITUDE. RIGHT AFTER THE REMARK TO ME CITED ABOVE, THE FOREIGN TRADE MINISTER ADDED THAT "MANY OTHER ISSUES" COULD BE SETTLED PRIOR TO NORMALIZATION. THOUGH WITHOUT STATING A CONNECTION, THE MINISTER THEN WENT ON TO TALK ABOUT MFN TREATMENT FOR CHINESE EXPORTS. THE MINISTER OF COURSE ALSO TOOK THE STANDARD LINE THAT THE NEXT MOVE WAS UP TO THE U.S.

4. BUT AGAIN WE CANNOT BE CONFIDENT OF CHINESE FLEXIBILITY ON A CLAIMS/ASSETS SETTLEMENT. AND THERE IS OBVIOUSLY ALSO SOME DANGER THE CHINESE MAY ANTICIPATE THAT THE NEW US ADMINISTRATION, FOR THE SAKE OF SHOWING FORWARD MOTION, WILL COME AROUND TO THE CHINESE TERMS FOR A SETTLEMENT THAT THE PREVIOUS ADMINISTRATION REJECTED.

5. THE MAIN THING WE MAY -- REPEAT MAY -- HAVE GOING FOR US NOW IS THE PATRONAGE OF CHOU EN-LAI FOR THE ORIGINAL AGREEMENT IN PRINCIPLE, PLUS THE FACT THAT IT WAS CHOU HIMSELF WHO OFFERED IN NOVEMBER 1973 TO PAY THE USG \$17 MILLION IN LIEU OF FUNDS THE CHINESE HAD PULLED OUT OF BLOCKED ACCOUNTS IN FOREIGN BANKS. WHILE THE CHINESE

SECRET

SECRET

PAGE 03 PEKING 00324 190434Z

SUBSEQUENTLY WITHDREW THIS OFFER (IN JUNE 1974 WHEN THE "GANG OF FOUR"

WAS RIDING HIGH), TO MY KNOWLEDGE THE USG HAD NO FURTHER EXCHANGES WITH CHOU HIMSELF ON CLAIMS/ASSETS AFTER NOVEMBER 1973. IT MAY BE IMPORTANT THAT IN REGARD TO CLAIMS/ASSETS FOREIGN MINISTER HUANG ON JANUARY 14 (PEKING 112) RECALLED ONLY THE 1973 CHOU-KISSINGER TALKS AND NO OTHERS.

6. APART FROM THE \$17 MILLION, THE OTHER KEY PROBLEM IS OUR LEGAL REQUIREMENT FOR LANGUAGE IN THE SETTLEMENT MAKING CLEAR THE SCOPE OF THE TERM "PRC NATIONALS". ONE OF THE PAPERS THE CHINESE TABLED IN NOVEMBER 1973, A VAGUE "EXPLANATION" OF THE "SCOPE OF THE CHINESE ASSETS RELATING TO THE PROPOSED ASSIGNMENT" APPEARS TO COME PART WAY TOWARD MEETING OUR NEED, AND MIGHT BE WORTH RECONSIDERING AS A BASIS FOR NEGOTIATION.

7. DEPT MAY WISH TO PASS TO AMCONGEN HONG KONG.
GATES

SECRET

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, CLAIMS, BLOCKED ASSETS, CAT-A
Control Number: n/a
Copy: SINGLE
Sent Date: 18-Feb-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977PEKING00324
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: DC IS ALSO X1
Executive Order: X3
Errors: N/A
Expiration:
Film Number: P850056-1720, N770001-0601
Format: TEL
From: PEKING
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770227/aaaaaxrc.tel
Line Count: 115
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: e5977cc4-c288-dd11-92da-001cc4696bcc
Office: ACTION NODS
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: NODIS
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: NODIS
Reference: 77 STATE 34986
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 28-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3280889
Secure: OPEN
Status: NATIVE
Subject: CLAIMS/ASSETS ISSUE
TAGS: PFOR, PEPR, EFIN, CH, US
To: STATE HONG KONG
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/e5977cc4-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009